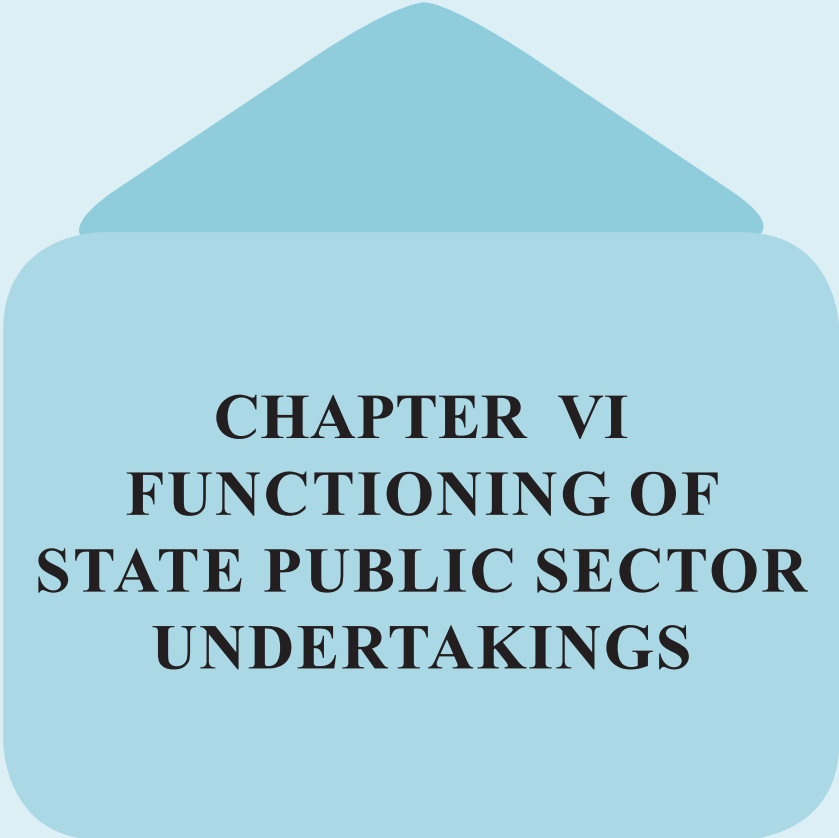




PART B
PUBLIC SECTOR
UNDERTAKINGS



**CHAPTER VI
FUNCTIONING OF
STATE PUBLIC SECTOR
UNDERTAKINGS**

CHAPTER VI: FUNCTIONING OF STATE PUBLIC SECTOR UNDERTAKINGS

6.1 Introduction

This Chapter presents the summary of financial performance of Government Companies, Statutory Corporations and Government controlled other Companies in Bihar. In the Chapter, the term State Public Sector Undertakings (PSUs) encompasses those Government companies in which the direct holding of the State Government is 51 *per cent* or more and the subsidiaries of such Government companies. The Statutory Corporations set up under statutes enacted by the State Legislature and other companies owned or controlled, directly or indirectly by the State Government have also been categorized as PSUs.

Besides, any other company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this Chapter as Government controlled other Companies.

The total number of PSUs in the State as on March 2022 was 77¹ which included 37 functional PSUs and 40 non-functional PSUs. Whereas based on the latest accounts finalized up to the last three years *i.e.*, 2019-20, 2020-21 and 2021-22, the number of PSUs being covered in this Chapter is 16 (15 Government Companies and one Statutory Corporation). Remaining 61² PSUs whose accounts were in arrears for three years or more or were defunct / under liquidation or first accounts were not received, have not been covered in this Chapter.

6.2 Summary of Financial Performance of State Public Sector Undertakings

6.2.1 Mandate

Audit of Government Companies and Government controlled other Companies is conducted by the CAG under the provisions of Section 143(5) to 143(7) of the Companies Act, 2013, read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made thereunder. Under the Companies Act, 2013, the CAG appoints the Chartered Accountants as Statutory Auditors for Companies and directs them, the manner in which the accounts are to be audited. In addition, CAG has mandate to conduct a supplementary audit of the PSUs. The statutes governing some of the Statutory Corporations require their accounts to be audited only by CAG.

¹ The total number of PSUs in the State as on March 2021 was 79. During the year 2021-22, out of 79, two PSUs viz. Bihar State Cement Corporation Limited (strike off) and Bhawani Active Carbon Limited (ceased to be a Government Company) have been omitted.

² Out of 61, nine PSUs including eight non-functional PSUs have not submitted/finalised their first accounts and the accounts of remaining 52 PSUs, which included 36 non-functional PSUs, were in arrears for three years or more.

6.2.2 What this Chapter Contains

This Chapter provides an overall picture of the financial performance of the State Government Companies, Statutory Corporations and Government controlled other Companies as revealed from their accounts.

6.2.3 Number of PSUs

As on 31 March 2022, out of 77 Public Sector Undertakings³, summary of financial performance and nature of 16 PSUs, covered in this Chapter, are indicated in **Table 6.1**.

Table 6.1
Coverage and Nature of PSUs covered in this Chapter

Nature of PSUs	Total No. of PSUs	No. of PSUs covered in the Chapter				No. of PSUs not covered in this Chapter	No. of PSUs whose accounts are in arrear
		Accounts up to					
		2021-22	2020-21	2019-20	Total		
Functional Government Companies	30	1	8	5	14	16	29
Functional Statutory Corporations	3	0	0	1	1	2	3
Total Government Companies/ Corporations	33	1	8	6	15	18	32
Government Controlled Other Companies	4	0	0	0	0	4	4
Total functional PSUs	37	1	8	6	15	22	36
Non-functional Government Companies	40	0	1 ⁴	0	1	39	40
Non-functional Statutory Corporations	-	-	-	-	-	-	-
Total non-functional PSUs	40	0	1	0	1	39	40
Total	77	1	9	6	16⁵	61	76

(Source: Compiled on the basis of the latest finalised accounts of PSUs)

The summary of financial performance of 16 PSUs during the year 2019-20, 2020-21 and 2021-22 under the purview of CAG's audit are given in **Appendix 6.1**. This Chapter does not include 61 PSUs as shown in **Appendix 6.2**.

6.3 Equity Holding

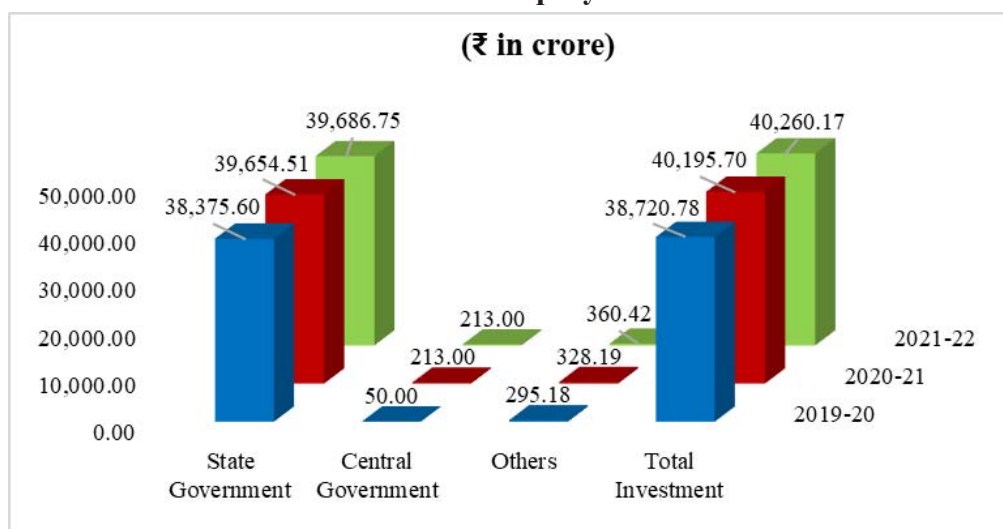
Holding in equity by State Government, Central Government and others during last three years up to 31 March 2022, in Government Companies and Corporations is depicted in **Chart 6.1**.

³ 70 State Government Companies, three Statutory Corporations and four Government Controlled other Companies.

⁴ Bihar State Agro Industries Development Corporation Limited.

⁵ Sector - Power: 8; Non-Power: 8.

Chart 6.1
Investment of Equity in PSUs



(Source: Compiled on the basis of the latest finalised accounts of PSUs)

It can be seen from the **Chart 6.1** that State Government holding in equity was increased from ₹ 38,375.60 crore in 2019-20 to ₹ 39,686.75 crore in 2021-22 while total investment was increased from ₹ 38,720.78 crore in 2019-20 to ₹ 40,260.17 crore in 2021-22.

6.4 Computation of long-term loans outstanding as on 31 March 2022

The total long-term loans outstanding in seven⁶ PSUs out of 16 from all sources as on 31 March 2022 was ₹ 12,429.50 crore. Remaining nine PSUs did not have any long-term loans as on 31 March 2022. A year wise detail of outstanding long-term loans of PSUs is depicted in **Table 6.2**.

Table 6.2
Long Term Loans in PSUs

(₹ in crore)

Sources of loan	2019-20	2020-21	2021-22
State Government	541.25	619.30	619.30
Central Government	0.00	0.00	0.00
Others (including loans from Rural Electrification Corporation, Power Finance Corporation, Banks and Bihar Urban Development Agency)	5,811.63	11,743.93	11,810.20
Total Investment	6,352.88	12,363.23	12,429.50

(Source: Compiled on the basis of the latest finalised accounts of PSUs)

Out of the total loans advanced by the State Government, loans amounting to ₹ 359.85 crore (58.11 per cent) were outstanding with Power Companies and rest were with other companies (₹ 259.45 crore) while 100 per cent of loans from others (₹ 11,810.20 crore) belonged to Power Companies.

⁶ Bihar State Power Holding Company Limited, Bihar State Power Transmission Company Limited, South Bihar Power Distribution Company Limited, North Bihar Power Distribution Company Limited, Bihar Grid Company Limited, Bihar State Agro Industries Development Corporation Limited and Bihar State Financial Corporation.

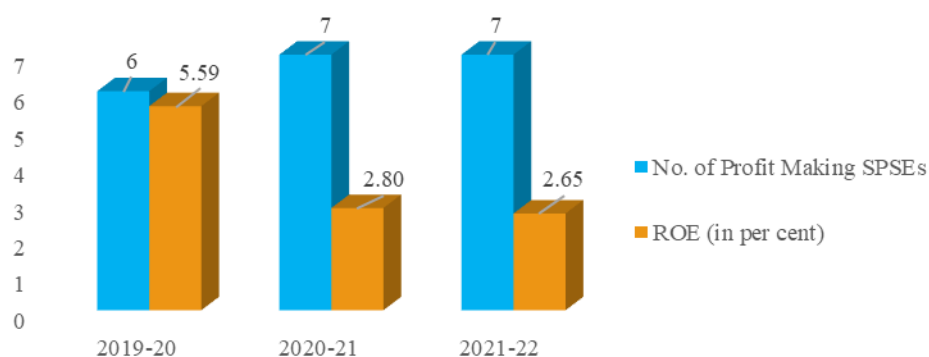
Neither power sector nor non-power sector PSUs had made the repayment of the principal and interest of the long-term loans advanced to them by State Government.

6.5 Profit earned by PSUs

Seven PSUs each earned profit during 2020-21 and 2021-22. The profit decreased to ₹ 291.30 crore in 2021-22 from ₹ 302.15 crore in 2020-21. The Net worth of seven PSUs that earned profit during 2021-22 was ₹ 10,989.84 crore. The Return on Equity (ROE) of these seven PSUs decreased from 2.80 per cent in 2020-21 to 2.65 per cent in 2021-22.

Number of PSUs that earned profit during the period from 2019-20 to 2021-22 is depicted in Chart 6.2.

Chart 6.2
Number of companies earning profits and their ROE (in per cent) during last three years



(Source: Compiled on the basis of the latest finalised accounts of PSUs)

6.6 Losses incurred by PSUs

Number of PSUs that incurred losses ranged between five to six during the year 2019-20 to 2021-22, as given in Table 6.3.

Table 6.3
Number of PSUs that incurred losses during 2019-20 to 2021-22

Financial Year	No. of PSUs incurred loss	Net loss for the year (₹ in crore)	Accumulated Losses (₹ in crore)	Net Worth ⁷ (₹ in crore)
2019-20	6	2,961.24	19,629.17	9,312.52
2020-21	5	1,946.95	21,041.52	8,783.09
2021-22	5	1,946.95	21,041.52	8,783.09

(Source: Compiled on the basis of the latest finalised accounts of PSUs)

⁷ Net worth means the sum total of the paid-up share capital and free reserves and surplus less accumulated loss and deferred revenue expenditure. Free reserves mean all reserves created out of profits and share premium account but do not include reserves created out of revaluation of assets and write back of depreciation provision.

6.7 Winding up of non-functional PSUs

The number of non-functional PSUs at the end of each year during last three years ended 31 March 2022 is given in **Table 6.4**.

Table 6.4:
Non-functional PSUs

Particulars	2019-20	2020-21	2021-22
No. of non-functional PSUs	42	42	40 ⁸
Out of above, No. of PSUs which were under liquidation	5	5	5

(Source: Compiled from the information relating to PSUs included in Audit Reports on GoB, of respective years and in Appendix 6.2)

All 40 PSUs as in 2021-22, are non-functional for more than five years.

6.8 Oversight role of CAG

6.8.1 Audit of State Public Sector Undertakings (PSUs)

The Comptroller & Auditor General of India (CAG) appoints the Statutory Auditors of a State Government Company and State Government Controlled Other Company under Section 139 (5) and (7) of the Companies Act, 2013. CAG has a right to conduct a supplementary audit and issue comments upon or supplement the Audit Report of the Statutory Auditor. Statutes governing some Corporations require that their accounts be audited by the CAG and a report be submitted to the State Legislature.

6.8.2 Appointment of Statutory Auditors of State PSUs by CAG

Sections 139 (5) of the Companies Act, 2013, provides that the statutory auditors in case of a State Government Company are to be appointed by the CAG within a period of 180 days from the commencement of the financial year.

6.9 Submission of Accounts by PSUs

Every company should hold the Annual General Meeting of its shareholders in a timely manner. Further, the audited Financial Statements, for a financial year, are to be placed in the said AGM, for their consideration.

6.9.1 Need for timely submission of Accounts

According to Section 394 of the Companies Act 2013, an Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and, as soon as may be after such preparation, laid before both the Houses of State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost similar provisions exist in the respective Acts regulating statutory corporations. This mechanism provides the necessary

⁸ During the year 2021-22, two PSUs viz. Bihar State Cement Corporation Limited (strike off) and Bhawani Active Carbon Limited (ceased to be a Government Company) have been omitted.

legislative control over the utilisation of public funds invested in the Companies from the Consolidated Fund of State.

Section 96 of the Companies Act, 2013, requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statements for the financial year are to be placed in the said AGM for their consideration.

Section 129 (7) of the Companies Act, 2013 also provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

Despite above provisions, annual accounts of various PSUs were pending as on 31 July 2022, as detailed in the following paragraph.

6.9.2 Timeliness in preparation of accounts by PSUs

As of 31 March 2022, out of 77 PSUs, accounts for the year 2021-22 were due from all State Government Companies / Statutory Corporations as on 31 July 2022. Only one⁹ State Government Company had submitted its account for the year 2021-22 for audit by CAG, on or before 31 July 2022. The accounts of the remaining 69 State Government Companies, three Statutory Corporations and four Government Controlled Other Companies (total 76 PSUs) were in arrears, for various reasons.

Audit of Statutory Corporations are governed by their respective legislations. Out of the three Statutory Corporations, the CAG is the sole auditor for Bihar State Road Transport Corporation. In respect of Bihar State Financial Corporation and Bihar State Warehousing Corporation, the audit is conducted by Chartered Accountants and supplementary audit is conducted by the CAG.

The accounts of Bihar State Financial Corporation for the year 2020-21 and 2021-22, Bihar State Road Transport Corporation from 2019-20 to 2021-22 and Bihar State Warehousing Corporation from 2018-19 to 2021-22 were awaited, as on 31 July 2022.

6.10 Results of CAG's oversight role

6.10.1 Audit of accounts of PSUs under Section 143 of the Companies Act, 2013

The statutory auditors forwarded 29 accounts (23 Non-Power and six Power) during October 2021 to July 2022, subsequent to the audit of the financial statements by them. The CAG issued non-review certificate on seven accounts, comments on one account, disclaimer on three accounts, SAR of two accounts and conducted supplementary audit of the financial statements of the remaining

⁹ Bihar Grid Company Limited.

PSUs. Financial Statements for the year 2021-22 were received from only one¹⁰ State Government Company by 31 July 2022.

During October 2021 to July 2022, CAG issued disclaimer on 18¹¹ accounts (13 Non-Power and five Power) and comments on 14 accounts (12 Non-Power and two Power) under Section 143(6)(b) of the Companies Act, 2013.

6.10.2 Significant Comments of the CAG issued as supplement to the Statutory Auditor's reports on PSUs

The list of PSUs covered in this Chapter in respect of whom comments were issued during October 2021 to July 2022 is given in **Table 6.5**.

Table 6.5

List of PSUs covered in this Chapter where comments were issued by CAG

Sl. No.	Name of the PSUs	Year of the Account
1	Patna Metro Rail Corporation	2019-20
2	Bihar State Education Infrastructure Development Corporation Limited	2019-20
3	Bihar State Power Transmission Company Limited	2019-20
4	Patna Metro Rail Corporation	2020-21

(Source: Compiled on the basis of the comments issued by CAG on accounts of PSUs)

Significant comments were issued on financial statements of Government Companies, due to which the financial impact on the profitability was ₹ 31.23 crore and on assets/liabilities was ₹ 270.69 crore (**Appendix 6.3**).

6.11 Response of the State Government to Audit

For this Report, one Subject Specific Compliance Audit (SSCA) paragraph and five compliance audit paragraphs relating to PSUs were issued to the Additional Chief/Principal Secretary of the respective Administrative Department with request to furnish replies within two weeks. However, replies have been received only for one SSCA paragraph and one compliance audit paragraph from the State Government.

6.12 Compliance to Report of Committee on Public Undertakings (COPU)

The COPU had submitted seven reports with one recommendation (2021-22) to the State legislature. However, no ATN was received with respect to one recommendation (September 2022) which is indicated in **Table 6.6**.

¹⁰ Bihar Grid Company Limited.

¹¹ The figure also includes accounts which were received and audited prior to October 2021 and report on accounts issued during October 2021 to July 2022.

Table 6.6: Compliance to COPU Reports

Year of the COPU Report	Total number of COPU Reports	Total no. of recommendations in COPU Report	No. of recommendations where ATNs not received
2019-20	05	0	0
2020-21	01	0	0
2021-22	01	1	1
Total	07	1	1

(Source: Compiled on the basis of the information furnished by the Committee on Public Undertakings)